

Acklands Limited

1982 Annual Report



Acklands Limited is a diversified distributor of replacement automotive parts and industrial products. It has 19 warehouses in major cities across Canada and one warehouse in West Virginia, as well as 275 company-owned stores. Operations are carried on in 174 cities and towns in Canada and 17 municipalities in United States. The primary function is to warehouse and distribute goods made by approximately 400 suppliers.

All Company operations are autonomous profit centres, linked together by a centralized reporting and financial control system. Return on net asset criteria are used in making operating decisions. More than 40 percent of staff are paid under an incentive-oriented remuneration program.

As well as through jobbers, the automotive aftermarket is served through the Bumper to Bumper network of wholesale/retail stores. Of the 220 stores across Canada, 155 are franchised to independents and 65 are owned by

Acklands.

Acklands operates two large engine rebuilding plants in Saskatoon and Montreal as well as smaller facilities in Saskatoon for rebuilding clutches, water pumps and brakes. A heavy duty diesel rebuilding shop is located in Clarksburg, West Virginia.

Founded in Winnipeg in 1889, Acklands was originally a family business involved in repairing buckboards (the predecessor of its auto parts business) and distributing farming implements (the forerunner of its industrial supply business). Today, Acklands is a publicly-traded company which ranks as Canada's leading distributor of auto parts as well as industrial tools, fasteners, welding equipment, solvents and paints, and other industrial products. The Company is the exclusive distributor of Toro equipment in Western Canada, Yanmar marine engines in Ontario, and Yanmar diesel tractors in British Columbia, Saskatchewan, Manitoba and Ontario.

Acknowledgements

We give thanks to our employees who, in an extremely arduous year, have contributed well. The long-term continuity of the staff and their loyalty are much appreciated. The many, necessary consolidations and cut-backs place a particularly onerous burden on people and their response has been outstanding.

The year saw extraordinary returns to some suppliers and we are grateful for their co-operative attitudes. Many manufacturers, as well, participated in far-ranging marketing programs and this teamwork assisted greatly.

Annual Meeting

The Annual Meeting of Acklands Limited will be held on Wednesday, May 4, 1983 at 2:30

p.m. in the La Verendrye Room of the Carleton Club, 280 Fort Street, Winnipeg, Manitoba.

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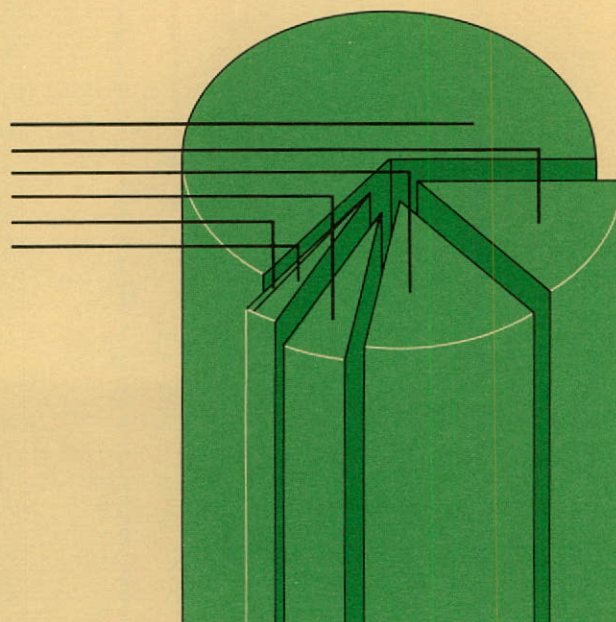
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Financial Highlights

	1982	1981
Sales from continuing operations	\$345,406,000	\$350,426,000
Income from continuing operations	1,271,000	7,228,000
Losses of discontinued operations (including extraordinary item)	(8,083,000)	(5,179,000)
Net Income (Loss)	(6,812,000)	2,049,000
Earnings per common share — primary		
Income from continuing operations	.42	2.61
Losses of discontinued operations (including extraordinary item)	(2.91)	(1.92)
Net Income (Loss)	(2.49)	0.69
Dividends paid		
Preference shareholders	107,000	173,000
Common shareholders — cash	417,000	1,628,000
— common stock dividend	665,000	—
Dividends paid per preference share	0.96	0.96
Dividends paid per		
common share — cash	0.15	0.60
— common stock dividend	0.24	—
Shareholders' equity	52,038,000	60,631,000
Equity per common share	17.90	20.90
Total Assets	202,461,000	239,760,000

Distribution of the 1982 sales dollar

Suppliers	66.0 ¢
Selling expense	10.9 ¢
Employees	18.5 ¢
Depreciation and interest	6.8 ¢
Taxes	(.3) ¢
Profit (Loss)	(1.9) ¢
	<u>\$1.00</u>



In 1982, the Canadian economy experienced its worst setback since the 1930's. Real economic growth declined sharply, unemployment escalated, interest rates were at extremely high levels, business profits collapsed and a record number of firms became bankrupt or sustained losses.

Acklands Limited, with so much of its business dependent on consumer confidence and the health of basic industrial sectors, was not spared the impact of this economic reversal, though some aspects of our company performed remarkably well under the circumstances.

Financial Results

The Company registered 1982 consolidated sales from continuing operations of \$345,406,000, a 1.4 percent decrease from the previous year, reflecting reduced consumer and industrial spending. Net after-tax loss was \$6,812,000, or \$2.49 per share, compared with a profit of \$2,049,000, or \$0.69 per share, in 1981.

For the second year in a row, the high level of interest rates seriously eroded our profit position. Interest expense in 1982 was \$20,977,000, compared with \$25,020,000 in 1981. However, during the year we began a significant reduction in inventory levels and sold certain assets, which reduced our borrowing requirements. These actions coincided with a sharp decline in interest rates during the fourth quarter, which reduced our financing costs substantially compared with the fourth quarter of 1981. From year to year, long and short term debt was reduced by \$24,100,000.

Strategic Objectives

Our strategic objective for the past five years has been to focus almost exclusively on the distribution of auto parts and industrial supplies. During 1982, these activities accounted for 96 percent of total sales, compared with 82 percent in 1977.

Acklands has become a lean, cohesive and aggressive organization. We are lean because we have sold off, or closed, unprofitable operations and businesses unrelated to the distribution of auto parts and industrial products. We are cohesive because we have streamlined the organization to make it more efficient through computerization, warehouse consolidations and the creation of new merchandising units, such as the Automotive Warehouse Division. Consequently, while 1982 was a tough year for all business firms, including Acklands, it was a successful year for Acklands in terms of strengthening its underlying efficiency and productivity.

The Year Ahead

Our commitment to functioning as a lean team will continue in 1983. Redundant properties, with values approximating \$8,000,000, held for investment, will be sold and further operational properties will be consolidated. Inventory levels will continue to be strictly controlled.

It appears the Canadian economy will be slow to recover. Acklands is ideally positioned to benefit from any economic upturn. We are operating at close to breakeven and should incur greatly reduced interest expense and divestment costs in the coming year. I am confident that our rigorous cost-cutting measures will enable us to function profitably for the full year 1983 on moderately increased sales.

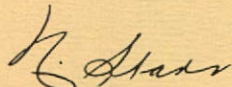
Dividend

As part of our cash conservation program, the common share cash dividend was replaced by a stock dividend, effective November 30, 1982, on the basis of one common share for each 50 common shares held. Cash dividends continue for preference shareholders.

Board of Directors

With deep regret we accepted the resignation in 1982 of Mr. Norm Peden, a director since 1977, and Dr. Nathan Schechter, a director since 1962. The important contributions of these gentlemen will be missed and we thank them for their years of diligent service.

Three new directors were appointed during the year — Mr. Don Dawson, Senior Vice-President and General Manager of Acklands; Mr. Berl Bessin, Assistant Vice-President of our International Division; and Mr. Neil Walford, Chairman, Repco Corporation Limited, Australia.



Nathan Starr
President and Chief Executive Officer

Overview

The severity of the economic recession significantly reduced our business volumes in 1982, though we maintained market share in most cases and actually increased it in some areas.

Our dominant operational concern last year was to restructure the company and reduce costs. This was accomplished successfully, preserving the underlying vitality of Acklands as Canada's leading distributor of replacement auto parts and industrial supplies.

Closures

In anticipation of the shrinking economy and its impact on sales, three warehouses were closed during the year. The business of the Vancouver automotive warehouse was merged with our Lake City industrial warehouse in Burnaby, to create an integrated auto parts and industrial supplies distribution centre; the Clarksburg warehouse in West Virginia was consolidated with the new facility in Beckley; and the Montreal Moto-Rite warehouse was closed, with its orders redirected to Moto-Rite warehouses in Moncton, Ottawa and Toronto. In response to local market conditions, we closed 44 distribution branches across the country. These buildings are being sold or sub-leased.

Expansions

While closures were an operational priority, we also undertook some important expansions. Three branches were opened during the year — in Melville, Saskatchewan, Tumbler Ridge, B.C. and St. Catharines, Ontario.

Our automotive marketing operations were revitalized with the creation of the Automotive Warehousing Division, headquartered in Toronto. This division is responsible for merchandising, advertising and training. It develops pull-through programs on a national scale for the traditional jobber/dealer distribution channels.

Finally, the Bumper to Bumper retail/wholesale network of auto parts stores, which Acklands pioneered in Canada in 1978, added 10 new outlets during the year. We anticipate a further 20 Bumper to Bumper stores will be established during 1983.

Staff Reductions

The closing and consolidation of facilities, as well as reductions in business volume, unfortunately made it necessary to reduce staff by 800 last year. These terminations include a limited number of layoffs at the Saskatoon engine rebuilding plant, which has been operating at 40 percent of capacity and at the Montreal rebuilding plant, which is on an indefinite shutdown. The effect of these terminations and layoffs, comprising 24 percent of our prior workforce, will be reflected in operating cost reductions in 1983. An indefinite wage freeze is also in effect.

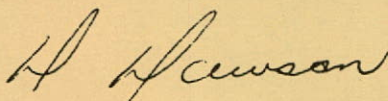
Inventory

During the year, we achieved considerable progress in reducing inventory to \$100,332,000 by November 30, 1982, from \$124,462,000 on the same date a year earlier. The inventory-turn ratio was 2.0 times, compared with 2.1 times in 1981, which underscores the difficulty of reducing inventory during a protracted period of declining sales.

We expect an improved turnover ratio in 1983 now that the substantial part of inventory cutting has been done through standardization of product lines, a narrowing of the variety of goods carried and better inventory management procedures.

Computerization

An important achievement during the year was the introduction of a new computer system to enhance customer service and asset management. The new system has been installed in our Saskatoon warehouse and will eventually replace existing computer installations throughout the Acklands' distribution network.



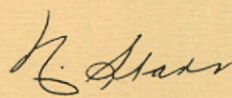
Don Dawson
Senior Vice-President and General Manager

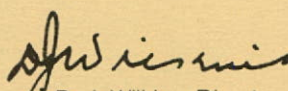
Consolidated Balance Sheet as at November 30, 1982

	1982	1981
Assets		
Current Assets		
Cash	\$ 3,996,000	\$ 421,000
Accounts receivable	52,117,000	61,033,000
Inventories	100,332,000	124,462,000
Prepaid expenses	1,189,000	1,590,000
	157,634,000	187,506,000
Other Assets		
Investment in 50% owned companies (note 2)		1,137,000
Mortgages and lien notes receivable and other assets	4,182,000	4,318,000
	4,182,000	5,455,000
Fixed Assets (note 3)		
Land, buildings and equipment	64,824,000	69,134,000
Accumulated depreciation	24,179,000	22,335,000
	40,645,000	46,799,000
	\$202,461,000	\$239,760,000
Liabilities		
Current Liabilities		
Bank advances (note 4)	\$ 52,829,000	\$ 68,785,000
Accounts payable and accrued liabilities	44,139,000	49,313,000
Income and other taxes payable	465,000	556,000
Principal due within one year on long-term debt	4,942,000	3,787,000
	102,375,000	122,441,000
Long-Term Debt (note 5)	46,103,000	55,371,000
Deferred Real Estate Income	1,945,000	
Deferred Income Taxes		1,317,000
Shareholders' Equity		
Capital Stock (note 6)	17,664,000	18,256,000
Retained Earnings (note 7)	34,374,000	42,375,000
	52,038,000	60,631,000
	\$202,461,000	\$239,760,000

Contingent Liabilities and Commitments (note 8)
Obligations Under Leases (note 9)

Approved by the Board


N. Starr, Director


D. J. Wilkins, Director

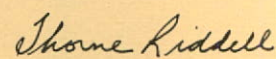
Auditors' Report

To the Shareholders of
Acklands Limited

We have examined the consolidated balance sheet of Acklands Limited as at November 30, 1982 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at November 30, 1982 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Winnipeg, Canada
January 26, 1983


Chartered Accountants

Consolidated Statement of Income year ended November 30, 1982

	1982	1981
Sales from continuing operations	\$345,406,000	\$350,426,000
Cost of sales, selling and administrative expenses	322,978,000	315,979,000
	22,428,000	34,447,000
Other expenses		
Depreciation	3,013,000	2,975,000
Interest on long-term debt	8,435,000	10,185,000
Other interest	12,542,000	14,835,000
	23,990,000	27,995,000
	(1,562,000)	6,452,000
Gain on sale of fixed assets	1,616,000	688,000
	54,000	7,140,000
Income tax reduction (note 10)	1,217,000	88,000
Income from continuing operations	1,271,000	7,228,000
Losses of discontinued operations (note 11)	(4,093,000)	(5,179,000)
Income (loss) before extraordinary item	(2,822,000)	2,049,000
Closure costs of discontinued operations (note 11)	(3,990,000)	
Net Income (Loss)	\$ (6,812,000)	\$ 2,049,000
Earnings (Loss) Per Share (note 12)		
Gain on sale of fixed assets	\$ 0.59	\$ 0.22
Income from continuing operations	0.42	2.61
Losses of discontinued operations (including extraordinary item)	(2.91)	(1.92)
Income (loss) before extraordinary item	(1.05)	0.69
Net income (loss)	(2.49)	0.69

Management's Reporting Responsibility

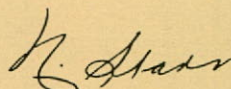
Management has prepared and is responsible for the accuracy, integrity and objectivity of the financial information contained in this Report. The consolidated financial statements are in accordance with Canadian generally accepted accounting principles consistently applied in all material respects. These statements reflect the judgement of management and the use of estimates when necessary. The financial information contained elsewhere in the Annual Report is consistent with that in the financial statements.

Management maintains a system of internal accounting controls and procedures designed to provide reasonable assurance as to the accuracy and reliability of financial records. These controls are subject to an ongoing review by internal audit staff.

The Company's independent auditors, Thorne Riddell, have conducted an examination of the Company's financial records in accordance with Canadian generally accepted auditing standards. This examination includes procedures necessary to support their opinion on the financial statements of the company.

The Board of Directors oversees management's financial reporting responsibilities through its Audit Committee (composed of outside directors) which meets with management and the independent auditors to review accounting, auditing and financial reporting matters.

On Behalf of Management:



Nathan Starr,
President & Chief Executive Officer



Arnold Glass,
Vice-President Finance

Consolidated Statement of Retained Earnings year ended November 30, 1982

	1982	1981
Balance at beginning of year	\$42,375,000	\$42,127,000
Net income (loss)	(6,812,000)	2,049,000
	35,563,000	44,176,000
Dividends declared on		
Second preference shares	107,000	173,000
Common Shares		
Cash	417,000	1,628,000
Common stock dividend	665,000	
	1,189,000	1,801,000
Balance at End of Year	\$34,374,000	\$42,375,000

Consolidated Statement of Changes in Financial Position year ended November 30, 1982

	1982	1981
Working Capital Derived From		
Operations		
Net income		\$ 2,049,000
Add (deduct) items not involving working capital		
Depreciation		3,484,000
Deferred income taxes		(1,174,000)
Gain on sale of fixed assets		(688,000)
Other items		260,000
		3,931,000
Increase in long-term debt	\$ 1,116,000	7,514,000
Proceeds from sale of fixed assets	4,669,000	1,871,000
Proceeds on sale and lease back of property	5,521,000	
Reduction of mortgages and lien notes		
receivable and other assets	757,000	716,000
Reclassification of investment in 50% owned		
companies (note 2)	1,043,000	
Issue of common shares on conversion of		
debentures and preference shares	3,000	2,878,000
	13,109,000	16,910,000
Working Capital Applied to		
Operations		
Loss before extraordinary item	2,822,000	
Add (deduct) items not involving working capital		
Depreciation	(3,330,000)	
Deferred income taxes	1,317,000	
Gain on sale of fixed assets	1,616,000	
Other items	323,000	
	2,748,000	
Closure costs of discontinued operations	3,138,000	
Additions to fixed assets	4,053,000	5,393,000
Reduction of long-term debt	10,384,000	3,833,000
Dividends in cash	524,000	1,801,000
Purchase of second preference shares	945,000	275,000
Acquisition of businesses		3,609,000
Increase in mortgages and lien notes receivable		
and other assets	1,123,000	1,107,000
	22,915,000	16,018,000
Increase (Decrease) in Working Capital	(9,806,000)	892,000
Working Capital at Beginning of Year	65,065,000	64,173,000
Working Capital at End of Year	\$55,259,000	\$65,065,000

1. Accounting Policies

- (a) Principles of consolidation
The consolidated financial statements include the accounts of all subsidiary companies. The operating results of all subsidiaries are included in the consolidated financial statements from the dates of acquisition and the acquisitions are accounted for as purchases.
- (b) Inventories
Inventories are valued at the lower of cost and net realizable value.
- (c) Investment in 50% owned companies
It is the company's practice to include in income its equity in net earnings of companies 50% owned and to reflect in the investment account its equity in undistributed earnings.
- (d) Fixed assets
Fixed assets are stated at cost. Depreciation is recorded on a basis to amortize the cost of fixed assets over their estimated useful lives and the rates applied are substantially as follows
Buildings
2% Straight-line
Equipment, other than automotive
10% Straight-line
Equipment, automotive
30% Diminishing balance
Leasehold improvements
Over the unexpired terms of the lease
- (e) Deferred real estate income
The profits realized on the sale and lease back of property have been deferred and are being amortized over various periods according to the terms of the related leases.
- (f) Leases
Leases are classified as either capital or operating leases. Leases that substantially transfer all of the benefits and risks of ownership of property to the company are accounted for as capital leases. At the time a capital lease is entered into, an asset is recorded together with its related long-term obligation to reflect the acquisition and financing. Equipment recorded under capital leases is being depreciated on the same basis as described in note (d) above. Rental payments under operating leases are expensed as incurred.
- (g) Foreign exchange
Operations conducted in U.S. currency are translated on the following bases
(i) Asset and liability accounts in U.S. currency, except for fixed assets, are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date.
(ii) Fixed assets are translated at the rate in effect when the transactions occurred.
(iii) Revenues and expenses are translated at the average rate of exchange during the year and foreign currency gains or losses are recorded in income.

2. Investment in 50% Owned Companies

In December, 1982 the company's investment in 50% owned companies was sold in a cash transaction resulting in a gain of \$168,000. The carrying value of the investment has been included with accounts receivable in current assets.

3. Fixed Assets

	1982		1981	
	Cost	Accumulated depreciation	Net	Net
Land	\$ 5,697,000		\$ 5,697,000	\$ 7,182,000
Buildings	28,705,000	\$ 6,401,000	22,304,000	24,791,000
Equipment	22,514,000	14,450,000	8,064,000	8,688,000
Equipment under capital leases	3,540,000	996,000	2,544,000	3,832,000
Leasehold improvements	4,368,000	2,332,000	2,036,000	2,306,000
	\$64,824,000	\$24,179,000	\$40,645,000	\$46,799,000

4. Bank Advances

Bank advances are secured by the assignment of receivables, a first floating charge on inventories and a junior floating charge on all other assets.

5. Long-Term Debt

	1982	1981
Prime related secured debentures, payable \$166,670 per month, maturing October 31, 1995	\$33,689,000	\$37,833,000
8% Notes, payable \$5,992 quarterly to November 30, 1985 and \$49,440 quarterly thereafter to November 30, 1995	2,049,000	2,074,000
Obligations under capital leases with maturities to 1990 (note 9)	2,753,000	4,180,000
7% to 17.75% Mortgages, agreements and notes payable in monthly or quarterly instalments	12,554,000	15,071,000
	51,045,000	59,158,000
Principal included in current liabilities	4,942,000	3,787,000
	\$46,103,000	\$55,371,000

Interest on the Prime Related Secured Debentures is at prime commercial lending rates plus $\frac{3}{4}$ of 1%, but not less than 11 $\frac{1}{2}$ %. The debentures are secured by a fixed charge on certain real estate, a junior floating charge on receivables and inventories and a first floating charge on all other assets.

Principal due within each of the next five years is as follows

1983	\$4,942,000
1984	4,760,000
1985	3,313,000
1986	3,300,000
1987	3,212,000

6. Capital Stock

	Authorized		Issued	
	Shares	Amount	Shares	Amount
Non-voting second preference shares issuable in series	840,304	\$13,445,000		
Series A \$0.96 cumulative, convertible and redeemable at \$17 per share	217,188	\$ 3,475,000	165,994	\$ 2,656,000
Deduct Converted to common shares during the year	3,367	54,000	3,367	54,000
Purchased for cancellation during the year			78,754	1,260,000
	3,367	54,000	82,121	1,314,000
	213,821	\$ 3,421,000	83,873	1,342,000
Common shares without par value	3,875,575	\$18,378,000	2,773,764	15,600,000
Add Issued on declaration of stock dividend			55,424	665,000
Conversion of second preference shares	3,367	54,000	3,367	57,000
	3,878,942	\$18,432,000	2,832,555	16,322,000
				<u>\$17,664,000</u>

7. Retained Earnings

The terms of the trust indenture securing the Prime Related Secured Debentures contain cash dividend distribution provisions relating to equity and interest coverage. These provisions preclude the payment of cash dividends on common shares at November 30, 1982 and until the defined requirements have been achieved.

8. Contingent Liabilities and Commitments

- Employees' and officers' bank loans of \$5,984,000 have been guaranteed by the company to accommodate their purchase of company shares.
- Other bank loans have been guaranteed in the amount of \$1,000,000.
- The unfunded past service pension liability at November 30, 1982 is approximately \$2,780,000 and is being paid and charged to income in equal amounts until 1990.

9. Obligations Under Leases

(a) Capital leases

The following is a schedule by year of future minimum lease payments together with the balance of the obligations under capital leases.

	1982	1981
1982		\$1,038,000
1983	\$ 670,000	1,030,000
1984	683,000	1,042,000
1985	592,000	917,000
1986	568,000	719,000
1987	534,000	704,000
1988-1990	937,000	694,000
	<u>3,984,000</u>	<u>6,144,000</u>
Amount representing interest	1,231,000	1,964,000
Balance of obligations included in long-term debt	<u>\$2,753,000</u>	<u>\$4,180,000</u>

(b) Operating leases

The company has commitments under operating leases which, after recoveries from sub-tenants totalling \$3,269,000, call for future net rentals of \$31,979,000. Net rentals are as follows:

1983	\$ 3,459,000
1984	2,819,000
1985	2,558,000
1986	2,023,000
1987	1,595,000
1988 - 2004	19,525,000

10. Income Taxes

(a) Provision for income taxes

Inventory allowance deductions of \$3,335,000 (\$3,308,000 in 1981) have been claimed in determining income for tax purposes.

(b) Losses carried forward

At November 30, 1982 the company has the following available to reduce future years' income for tax purposes, the tax effect of which has not been recorded in the accounts.

Losses carried forward for tax purposes until	
1983	\$2,580,000
1984	715,000
1985	104,000
1986	4,021,000
1987	633,000
1996 (U.S. subsidiary)	275,000
1997 (U.S. subsidiary)	1,573,000
	<u>9,901,000</u>

Net timing differences resulting from revenue and expense items reported for tax purposes in different periods than for financial purposes

	2,210,000
	<u>\$12,111,000</u>

11. Discontinued Operations

The decision was made to close three major operating divisions and certain branches in 1982. Results of these operations are included in "Losses of discontinued operations" as follows

	1982	1981
Sales	\$10,877,000	\$40,543,000
Expenses including depreciation of \$317,000 (\$509,000 in 1981)	14,970,000	45,722,000
Losses for the year	\$ 4,093,000	\$ 5,179,000
The extraordinary item "Closure costs of discontinued operations" consists of the following		
	1982	
Lease termination costs and write off of leasehold interests	\$ 2,629,000	
Write down of fixed assets to estimated realizable value	325,000	
Inventory devaluation to market	413,000	
Other closure costs	623,000	
	\$ 3,990,000	

The 1981 comparative figures have been restated to separately disclose "Losses of discontinued operations".

12. Earnings Per Share

- The calculation of basic earnings per share, after adjusting for second preference share dividends, has been made using the weighted monthly average number of common shares outstanding in each year.
- Conversion of the second preference shares does not have a dilutive effect on earnings per common share and accordingly, fully diluted earnings per share are not presented.

13. Segmented Information

The company is engaged in the integrated distribution of automotive and industrial products in Canada and the United States as follows

	1982		
	Canada	United States	Total
Sales from continuing operations	\$324,341,000	\$21,065,000	\$345,406,000
Income (loss) from continuing operations	\$ 1,960,000	\$ (689,000)	\$ 1,271,000
Losses of discontinued operations	3,483,000	610,000	4,093,000
Loss before extraordinary item	1,523,000	1,299,000	2,822,000
Closure costs of discontinued operations	3,674,000	316,000	3,990,000
Loss for the year	\$ 5,197,000	\$ 1,615,000	\$ 6,812,000
Identifiable assets	\$189,671,000	\$12,790,000	\$202,461,000
	1981		
	Canada	United States	Total
Sales from continuing operations	\$338,386,000	\$12,040,000	\$350,426,000
Income from continuing operations	\$ 6,703,000	\$ 525,000	\$ 7,228,000
Losses of discontinued operations	4,635,000	544,000	5,179,000
Net income (loss)	\$ 2,068,000	\$ (19,000)	\$ 2,049,000
Identifiable assets	\$225,247,000	\$14,513,000	\$239,760,000

Five Year Financial Summary

	1982	1981	1980	1979	1978
Sales	\$345,406,000*	\$350,426,000*	\$349,973,000	\$335,783,000	\$292,826,000
Depreciation	3,330,000	3,484,000	2,742,000	2,267,000	1,952,000
Interest on long-term debt	8,435,000	10,185,000	4,144,000	3,648,000	3,548,000
Net income (loss)					
Including extraordinary items	(6,812,000)	2,049,000	5,253,000	7,265,000	5,802,000
Before extraordinary items	(2,822,000)	2,049,000	5,253,000	6,832,000	4,545,000
Dividends					
Preference shareholders	107,000	173,000	193,000	205,000	207,000
Common shareholders	1,082,000**	1,628,000	1,460,000	1,211,000	1,209,000
Working capital	55,259,000	65,065,000	64,173,000	48,852,000	46,801,000
Fixed assets, net	40,645,000	46,799,000	42,198,000	34,835,000	30,199,000
Long-term debt	46,103,000	55,371,000	49,890,000	31,155,000	31,041,000
Shareholders' equity	52,038,000	60,631,000	57,827,000	53,883,000	48,073,000
Total assets	202,461,000	239,760,000	228,348,000	208,285,000	187,692,000
Earnings per common share					
Including extraordinary items					
Primary	(2.49)	.69	1.98	2.80	2.22
Fully diluted	(2.38)	.71	1.74	2.37	1.90
Before extraordinary items					
Primary	(1.05)	.69	1.98	2.62	1.72
Fully diluted	(.99)	.71	1.74	2.23	1.51
Dividends paid per common share	.39	.60	.57	.48	.48
Equity per common share	17.90	20.90	21.33	20.01	17.71
Common shares outstanding	2,832,555	2,773,764	2,567,764	2,529,163	2,520,008
Number of branches	268	318	284	290	295

* Restated to reflect continuing operations only

** 1982 figure includes stock dividend of \$665,000

Working Capital

Bank advances were \$52.8 million at year end, compared with \$68.8 million in 1981. Working capital at year end totalled \$55.3 million, down \$9.8 million from \$65.1 in the prior year.

Ratio Analysis	1982	1981
Working Capital	1.54:1	1.53:1
Debt/Equity	2.00:1	2.11:1
Asset Turnover	1.76:1	1.63:1
Return on Assets	(3.4%)	.9%
Inventory Turnover		
— including inter-company	3.0X	3.0X
— excluding inter-company	2.0X	2.1X
Accounts Receivable Turnover (trade only)	7.0X	6.9X
Personnel Productivity (wages to gross profit)	54.4%	49.6%

Growth of Total Assets (\$ millions)

	1978	1979	1980	1981	1982
	\$187.7	208.3	228.3	239.8	202.5
	+11.3%	+11.0%	+ 9.6%	+ 5.0%	-15.6%

Operating Expense (\$ millions)

	1982	1981	% Change
Payroll	\$ 65.5	\$ 67.1	- 2.4
Selling	\$ 11.9	\$ 14.2	- 16.2
Premises	\$ 17.3	\$ 15.6	+ 10.9
Warehouse	\$ 6.9	\$ 8.1	- 15.5
Administration	\$ 14.6	\$ 14.5	+ 1.5
Depreciation	\$ 3.3	\$ 3.4	- 4.4
Interest paid	\$ 21.0	\$ 25.0	- 16.2
Gain on Sale of fixed assets	\$ (1.6)	\$ (.7)	+134.9
Other Income/Expenses	\$ (4.1)	\$ (6.4)	- 37.2
	\$134.8	\$140.8	- 4.3

1982 Summary by Quarter (\$ millions)

	Sales (including discontinued operations)		Net Income (Loss)		Earnings per share (dollars)	
	1982	1981	1982	1981	1982	1981
First Quarter	\$ 82.5	\$ 79.1	\$.3	\$.4	\$.09	\$.12
Second Quarter	\$ 92.6	\$102.0	\$(2.0)	\$.7	\$ (.72)	\$.25
Third Quarter	\$ 85.7	\$102.8	\$(3.8)	\$ (.6)	\$(1.37)	\$ (.23)
Fourth Quarter	\$ 95.5	\$107.1	\$(1.3)	\$1.5	\$ (.49)	\$.55
	\$356.3	\$391.0	\$(6.8)	\$2.0	\$(2.49)	\$.69

Capitalization at Year End

	(\$ millions)		(percentage)	
	1982	1981	1982	1981
Common Equity	\$50.7	\$ 58.0	51.7%	50.0%
Preferred Stock	\$ 1.3	\$ 2.6	1.3%	2.2%
Long-Term Debt	\$46.1	\$ 55.4	47.0%	47.8%
	\$98.1	\$116.0	100.0%	100.0%

Capital Expenditures by Province

	(\$ millions)	
	1982	1981
Quebec	\$.1	\$.4
Ontario	\$.5	\$.3
Manitoba	\$.4	\$.1
Saskatchewan	\$.6	\$.6
Alberta	\$1.3	\$2.6
British Columbia	\$.8	\$.6
United States	\$.4	\$.8
Total	\$4.1	\$5.4

Return on Common (\$ millions)

	Equity	Income (Loss)	% Return
1978	\$44.6	\$ 5.8	13.0%
1979	\$50.6	\$ 7.3	14.4%
1980	\$54.8	\$ 5.3	9.7%
1981	\$58.0	\$ 2.0	3.5%
1982	\$50.7	\$ (6.8)	(13.4%)

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Traders Group and Guaranty Trust
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Assistant Vice-President
International Division
Acklands, Toronto
Moshe Bessin
Vice-President, Planning
and Research
Acklands, Toronto
Donald E. Boxer
Director, Burns Fry Limited
Toronto
Donald Carr, Q.C.
Senior Partner
Goodman and Carr, Toronto
Daniel W. Casey
Retired Bank Executive, Toronto
Donald J. Dawson
Senior Vice-President
and General Manager
Acklands, Winnipeg

Jacques Douville
Executive, Montreal
George Forzley
Retired Acklands Executive, Vancouver
Herman H. Kahn
Managing Director, Lehman Brothers
Kuhn Loeb Inc., New York
Simon Reisman
President, Reiscar Ltd., Ottawa
Nathan Starr
President and Chief Executive Officer
Acklands, Toronto
Neil Walford
Chairman, Repco Corporation Limited
Australia
Samuel Wallin
President
Queen-Yonge Investments Ltd., Toronto
Donald J. Wilkins
Chairman of the Board
Acklands, Toronto

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Donald E. Boxer
Donald Carr, Q.C.
Daniel W. Casey
George Forzley
Nathan Starr
Donald J. Wilkins

Compensation Committee

Simon Reisman, Chairman
Donald Carr, Q.C.
Daniel W. Casey

Audit Committee

Daniel W. Casey, Chairman
Jacques Douville
Donald E. Boxer

Major Divisions

Automotive Warehouse Distributors
Incorporated (U.S.)
Craig Motor Service Company,
Inc. (U.S.)
Gillis & Warren
Maurice Rousseau
Moto-Rite
Regent Automotive

Taylor, Pearson & Carson
T.P.C. Turfcare
Westair Sales
Western Automotive Rebuilders
Western Warehouse Distributors
Westward Distributors
Westward Power Products

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Chairman of the Board

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President and Chief Executive Officer

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Senior Vice-President and General Manager

Douglas G. Cumming
Senior Vice-President, Operations

Arnold Glass
Vice-President, Finance and
Secretary-Treasurer

Victor A. Aker
Vice-President, Industrial Marketing

Moshe Bessin
Vice-President
Planning and Research

Samuel H. Blank
Vice-President, Director
of Corporate Purchasing

Paul Burns
Vice-President, Assistant to
the Chairman

David M. Craig
Vice-President, Credit

Blake E. Forrest
Vice-President, International Division

Michael Joel
General Manager, Moto-Rite

Leonard J. Kenna
Vice-President, Special Projects

Harry M. Kilmer
President,
Craig Motor Service Company, Inc.

Alex Kozma
Vice-President, Internal Audit

Donald T. Langton
Vice-President
Automotive Warehouse Division

Theodore Stokes
Vice-President and General Manager
Saskatchewan

Lloyd Utigard
Vice-President and General Manager
Western Automotive Rebuilders

Berl Bessin
Assistant Vice-President,
International Division

Arnold Harbour
General Manager, Manitoba and
Northwestern Ontario

Eugene Hretzay
Assistant Secretary

Leonard Lavoie
Manager, Information Services

Pierre Maranda
General Manager,
Quebec Automotive Division

Gerald W. McCallum
Assistant Treasurer

Kiyo Nonomura
Assistant Director of Corporate
Purchasing

Ronald Rezetko
General Manager, Bumper to Bumper

Joseph J. Rorai
General Manager, Ontario Industrial
Division

Samuel N. Smilski
Comptroller

Allan Stambaugh
General Manager, Alberta

E. Roland Williams
General Manager,
British Columbia

Corporate Data

Auditors
Thorne Riddell, Winnipeg

Transfer Agents and Registrars
Common Shares
The Canada Trust Co.
Vancouver, Winnipeg, Toronto and
Montreal

Second Preference Shares, Series A
The Crown Trust Company, Vancouver,
Winnipeg, Toronto and Montreal

Counsel
Sokolov, Klein & Company, Winnipeg

Share Listings
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